

NEWS RELEASE

FOR RELEASE _____

Cline, DeVries & Allen, LLP today released an audit report on the City of Story City, Iowa.

The City's receipts totaled \$5,637,006 for the year ended June 30, 2015, a twenty-seven percent increase from 2014. The receipts included \$1,245,941 in property tax, \$813,258 from tax increment financing collections, \$1,224,745 from charges for service, \$840,216 from operating grants, contributions and restricted interest, \$581,947 from capital grants, contributions, and restricted interest, \$455,365 from local option sales tax, \$20,472 from unrestricted investment earnings, \$35,000 from loan proceeds and \$420,062 from other general receipts.

Disbursements for the year totaled \$5,722,746, a sixteen percent decrease from the prior year, and included \$973,122 for debt service, \$1,475,771 for capital projects, and \$634,188 for public safety. Also, disbursements for business type activities totaled \$1,109,127.

A copy of the audit report is available for review in the City Clerk's office, in the office of Auditor of State and on the Auditor of State's website at .

CITY OF STORY CITY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

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City of Story City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Jensen	Mayor	Jan 2018
Dwayne Fihr	Council Member	Jan 2016
Valaree Muhlenburg	Council Member	Jan 2016
Becky Watson	Council Member	Jan 2016
Dave Sporleder	Mayor Pro Tem/Council Member	Jan 2018
Matt Triggs	Council Member	Jan 2018
Mark Jackson	Administrator	
Dena Nichols	Clerk/Treasurer	
Fred A. Larson	Attorney	

City of Story City

CLINE, DeVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements of the City's primary government listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Story City as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Story City, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Story City as of and for the year ended June 30, 2015 on the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the City of Story City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Story City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City has not presented Management's Discussion and Analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

The other information, the budgetary comparison of information on pages 29-31 and the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32-35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2015 on our consideration of the City of Story City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Story City's internal control over financial reporting and compliance.

December 17, 2015
Ames, Iowa

City of Story City

Basic Financial Statements

City of Story City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 634,188	39,593	5,475	-
Public works	401,470	53,894	364,190	-
Health and social services	22,350	-	-	-
Culture and recreation	624,723	116,961	453,429	-
Community and economic development	105,505	-	4,526	-
General government	376,490	1,022	-	-
Debt service	973,122	-	-	-
Capital projects	1,475,771	-	12,596	581,947
Total governmental activities	4,613,619	211,470	840,216	581,947
Business type activities:				
Water	664,538	588,941	-	-
Sewer	441,040	378,286	-	-
Stormwater drainage	3,549	46,048	-	-
Total business type activities	1,109,127	1,013,275	-	-
Total	\$ 5,722,746	1,224,745	840,216	581,947
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Special assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Mobile home tax				
Franchise fees				
Utility replacement tax				
Unrestricted interest on investments				
Loan repayments				
Rent				
Bond/Note proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery Perpetual Care				
Expendable:				
Streets				
Urban renewal purposes				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(589,120)	-	(589,120)
16,614	-	16,614
(22,350)	-	(22,350)
(54,333)	-	(54,333)
(100,979)	-	(100,979)
(375,468)	-	(375,468)
(973,122)	-	(973,122)
(881,228)	-	(881,228)
(2,979,986)	-	(2,979,986)
-	(75,597)	(75,597)
-	(62,754)	(62,754)
-	42,499	42,499
-	(95,852)	(95,852)
(2,979,986)	(95,852)	(3,075,838)
958,008	-	958,008
279,885	-	279,885
8,048	-	8,048
813,258	-	813,258
455,365	-	455,365
118,100	-	118,100
2,074	-	2,074
27,666	-	27,666
1,214	-	1,214
14,940	5,532	20,472
8,058	-	8,058
33,775	17,280	51,055
35,000	-	35,000
6,934	21,446	28,380
183,515	-	183,515
-	-	-
2,945,840	44,258	2,990,098
(34,146)	(51,594)	(85,740)
2,374,165	1,280,154	3,654,319
\$ 2,340,019	1,228,560	3,568,579
\$ 67,561	-	67,561
-	-	-
32,088	-	32,088
306,310	274,154	580,464
645,441	163,366	808,807
1,288,619	791,040	2,079,659
\$ 2,340,019	\$ 1,228,560	\$ 3,568,579

City of Story City

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2015

	General	Special Revenue		
		Tax Increment Financing	Library Gift	Hospital Trust
Receipts:				
Property tax	\$ 928,339	-	-	-
Tax increment financing	-	813,258	-	-
Other city tax	484,668	-	-	-
Licenses and permits	12,486	-	-	-
Use of money and property	37,740	1,367	2,500	1,088
Intergovernmental	32,210	-	-	-
Charges for service	157,629	-	-	-
Special assessments	-	-	-	-
Miscellaneous	22,205	-	351,864	-
Total receipts	1,675,277	814,625	354,364	1,088
Disbursements:				
Operating:				
Public safety	595,954	-	-	-
Public works	48,019	-	-	-
Health and social services	22,350	-	-	-
Culture and recreation	548,802	-	18,459	-
Community and economic development	24,911	9,344	-	-
General government	368,458	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,608,494	9,344	18,459	-
Excess (deficiency) of receipts over (under) disbursements	66,783	805,281	335,905	1,088
Other financing sources (uses):				
Bond/Note proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	49,500	-	-	155,000
Transfers out	(46,000)	(801,423)	-	(45,500)
Total other financing sources (uses)	3,500	(801,423)	-	109,500
Change in cash balances	70,283	3,858	335,905	110,588
Cash balances beginning of year	585,844	28,230	238,869	300,064
Cash balances end of year	\$ 656,127	32,088	574,774	410,652
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Urban renewal purposes	-	32,088	-	-
Debt service	-	-	-	-
Streets	-	-	-	-
Other purposes	-	-	574,774	-
Unassigned	656,127	-	-	410,652
Total cash basis fund balances	\$ 656,127	32,088	574,774	410,652

See notes to financial statements.

Debt Service General Obligation Bonds	Capital Projects	Other Nonmajor Governmental Funds	Total
279,885	29,669	-	1,237,893
-	-	-	813,258
1,421	230	118,100	604,419
-	-	-	12,486
980	2,214	10,884	56,773
-	332,842	358,903	723,955
-	-	-	157,629
-	-	8,048	8,048
-	261,701	110,727	746,497
282,286	626,656	606,662	4,360,958
-	38,234	-	634,188
-	-	353,451	401,470
-	-	-	22,350
-	-	57,462	624,723
-	-	71,250	105,505
-	-	8,032	376,490
973,122	-	-	973,122
-	1,475,771	-	1,475,771
973,122	1,514,005	490,195	4,613,619
(690,836)	(887,349)	116,467	(252,661)
-	35,000	-	35,000
-	183,515	-	183,515
699,423	108,000	11,000	1,022,923
-	(71,000)	(59,000)	(1,022,923)
699,423	255,515	(48,000)	218,515
8,587	(631,834)	68,467	(34,146)
197,342	545,504	478,312	2,374,165
205,929	(86,330)	546,779	2,340,019
-	-	67,561	67,561
-	-	-	32,088
205,929	-	100,381	306,310
-	-	-	-
-	(86,330)	156,997	645,441
-	-	221,840	1,288,619
205,929	(86,330)	546,779	2,340,019

City of Story City
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise Funds			
	Water	Sewer	Other Non Major Enterprise Funds	Total
Operating receipts:				
Use of money and property	\$ 17,280	-	-	17,280
Charges for service	588,941	378,286	46,048	1,013,275
Miscellaneous	8,864	12,582	-	21,446
Total operating receipts	615,085	390,868	46,048	1,052,001
Operating disbursements:				
Business type activities	490,003	441,040	3,549	934,592
Total operating disbursements	490,003	441,040	3,549	934,592
Excess (deficiency) of operating receipts over (under) operating disbursements	125,082	(50,172)	42,499	117,409
Non-operating receipts and disbursements:				
Interest on investments	2,784	2,611	137	5,532
Debt service	(174,535)	-	-	(174,535)
Net non-operating receipts(disbursements)	(171,751)	2,611	137	(169,003)
Excess (deficiency) of receipts over (under) disbursements	(46,669)	(47,561)	42,636	(51,594)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net transfers	-	-	-	-
Change in cash balances	(46,669)	(47,561)	42,636	(51,594)
Cash balances beginning of year	665,579	602,109	12,466	1,280,154
Cash balances end of year	\$ 618,910	554,548	55,102	1,228,560
Cash Basis Fund Balances				
Restricted for:				
Debt Service	\$ 274,154	-	-	274,154
Other purposes	163,366	-	-	163,366
Unrestricted	181,390	554,548	55,102	791,040
Total cash basis fund balances	\$ 618,910	554,548	- 55,102	1,228,560

See notes to financial statements.

City of Story City

Notes to Financial Statements

June 30, 2015

(1) **Summary of Significant Accounting Policies**

Story City is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, Story City has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Story City Municipal Electric Utility. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Story City (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Story City Municipal Electric Utility is a component unit of the City of Story City and is not presented in these primary government financial statements. They are legally separate from the City, but are financially accountable to the City. The Story City Municipal Electric Utility (Utility) was established to operate the City's electric facilities. The Utility is governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utility is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utility in that the City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Central Iowa Regional Transportation Planning, Trees Forever Board, E911 Service Board and Story County Mayors Group.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not

allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Library Gift Fund is used to account for donations made to the Library.

The Hospital Trust Fund is used for internal loan purposes.

Debt Service:

The General Obligation Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general obligation long-term debt.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following two major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the

disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety and community and economic development functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	816,667	118,450	100,000	73,886	916,667	192,336
2017	842,203	105,758	100,000	72,884	942,203	178,642
2018	857,753	90,063	100,000	71,884	957,753	161,947
2019	323,317	72,243	105,000	70,386	428,317	142,629
2020	338,894	58,556	105,000	68,810	443,894	127,366
2021-2025	984,307	156,942	555,000	312,260	1,539,307	469,202
2026-2030	290,000	40,236	635,000	241,052	925,000	281,288
2031-2035	130,000	5,266	745,000	140,888	875,000	146,154
2036-2037	-	-	335,000	18,936	335,000	18,936
Total	\$ 4,583,141	\$ 647,514	\$ 2,780,000	\$ 1,070,986	\$ 7,363,141	\$ 1,718,500

Water Debt

On October 11, 2012, the City issued \$4,080,000 of General Obligation Water Improvement and Refunding Bonds with an interest rate ranging from .35% - 2.70% and annual maturities from June 2014 until June 2022. The net proceeds were used to refund the Urban Renewal Tax Increment Financing Bonds Series 2007B and the General Obligation Corporate Purpose Bonds Series 2007A on June 1, 2013. \$1,000,000 of the proceeds were also deposited into the Water Treatment Plant Project to assist with financing the plant expansion. The remaining funds were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust with an escrow agent to refund the Urban Renewal Tax Increment Financing Bonds Series 2010. The amount on deposit in the escrow account was used to refund the 2010 TIF bonds on June 1, 2014 when they became callable.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,925,000 of water revenue bonds issued in October of 2012. Proceeds from the bonds provided financing for the construction of improvements to the municipal waterworks system. The bonds are payable solely from water customer net receipts and are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$3,850,986. For the current year, principal of \$100,000 and interest of \$74,535 was paid on the bonds. Total net receipts were \$125,082.

The resolution providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

- (b) Sufficient monthly transfers shall be made to a separate water sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) A sum of \$178,600 shall be set aside and paid into a Reserve Fund for the purpose of making principal and interest payments on the Bonds when for any reason the funds in the Sinking Fund are insufficient.
- (d) A sum of \$2,000 on the first day of each month of each year until the balance of \$100,000 is reached shall be deposited into an Improvement Fund. All money credited to the Improvement Fund shall be used solely for the following purposes:
 - 1. To restore a deficiency in the Sinking Fund if sufficient amounts are not available in the Revenue Fund or Reserve Fund.
 - 2. To transfer to the Reserve Fund if any deficiency exists in the Reserve Fund.
 - 3. Not exceeding one-half of the amount required to be paid into the Improvement Fund each month may be used to pay principal and interest on any subordinate revenue bonds issued to pay the cost of making necessary improvements and extensions to the utility.
 - 4. To pay for the cost of capital improvements and extensions to the Utility provided that no deficiency exists in the amounts required to be paid into the Sinking and Reserve Funds.
- (e) Any balance of the Net Revenues in excess of funds specified to be paid into the above funds shall be paid into a Surplus Fund. The Surplus Fund shall be transferred to the Sinking Fund whenever needed to prevent default on payment on any of the Bonds. As long as the Sinking, Reserve and Improvements funds are in compliance with requirements, any balance in the Surplus Fund may be made available to the City to legally direct the funds.

The City is not in compliance with the provisions of the Water Revenue Bond resolution at June 30, 2015.

(4) Pension and Retirement Benefits

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 87B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals

or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is .25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is .50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$99,572.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$412,527. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was .0104018

percent which was a decrease of .1117 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$42,431, \$26,508, and \$252,046 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table of Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Estate Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	983,838	412,527	69,511

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Only a portion of sick leave is payable upon termination of employment if the employee quits or retires after at least ten years of continuous service. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 50,968
Sick leave	<u>78,857</u>
Total	<u>\$129,825</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(6) **Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary

to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$79,055.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment for such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for Workman's Compensation Coverage in the amount of \$1,000,000 each employee and \$1,000,000 each accident. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) **Health Insurance**

The City entered into an agreement to partially self-fund employee deductibles and out of pocket maximum payments under their health insurance plan. The deductible for an employee under a single plan is \$500 and for a family plan is \$1,000.

The maximum out of pocket costs for an employee under a single plan is \$1,000 and for a family plan is \$2,000.

The maximum liability to the City is \$1,000 for a single plan and \$2,000 for a family plan for deductibles and the maximum liability to the City is \$2,000 for a single plan and \$4,000 for a family plan for the out of pocket maximum.

Retirees are not eligible to participate in the plan.

(8) **Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Hospital Trust	\$ 500
	Hotel/Motel Tax	47,000
	Gilbert Library	2,000
		<u>49,500</u>
Debt Service: General Obligations	Special Revenue:	
	Tax Increment Financing	646,423
	Capital Projects	71,000
	Debt Service:	
	Special Assessments	10,000
		<u>727,423</u>
Special Revenue: Insurance	General	11,000
Hospital Trust	Special Revenue:	
	Tax Increment Financing	<u>155,000</u>
		<u>166,000</u>
Capital Projects	General	35,000
	Special Revenue:	
	Hospital Trust	<u>45,000</u>
		<u>80,000</u>
Total		<u>\$ 1,022,923</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Landfill

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of Story City of its proportionate share of the net costs of the system for the prior calendar year. The City of Story City will pay the City of Ames one-half of its share on July 15th and one-half on or before December 15th of each year. The annual rate of the contract is determined by multiplying the net per capita cost of the Ames solid waste disposal system by the population of the City of Story City.

(10) Notes Receivable/Economic Development

The City entered into a loan agreement with the Story City Locker in October of 2013. The loan is a five year loan for \$22,700 with an interest rate of 1.62%. The loan will be repaid monthly with payments of \$395 including interest starting January 2014.

The City also entered into a loan agreement with American Packaging in October of 2014. The loan is a five year loan for \$25,000 with an interest rate of 1.625% per year. The loan will be repaid in monthly installments of \$434 per month including interest starting November 2014.

(11) Related Party Transactions

The City had business transactions between the City and City officials totaling \$39,838 during the year ended June 30, 2015.

(12) Construction Commitments

The City had the following commitments with respect to unfinished capital projects at June 30, 2015:

<u>Project</u>	<u>Remaining Commitment</u>
Rich Olive Street Improvement Project	\$720,923
I-35 Business Park Improvements, Phase IV	21,375
South Story City Drainage Improvement Project	21,049
2014 Water Main Replacement Project	9,204

(13) Golf Course Lease

On January 1, 2009, the City entered into a lease with River Bend Golf Course LTD which states that River Bend is going to manage and operate the City owned golf course. The lease is a 10 year lease with automatic renewal upon expiration. Starting in January 2012, River Bend will pay the City \$7,500 or 5% of gross revenues for the year, whichever is less. This fee will be paid by January 31st of the following year. No fees will be charged by the City for the first 3 years of operation. In years in which the golf course suffers losses due to flooding, these fees may be waived. The City received \$7,500 under this lease during the fiscal year.

(14) Other Leases

The City leases various land thru a number of different leases. Total received during the fiscal year under these leases was \$25,505. They also lease water tower space for a communications antenna. Total received during the fiscal year under this lease was \$17,280.

(15) Forgivable Loans

The City received two forgivable loans (\$115,000 and \$300,000) from the Iowa Department of Economic Development (IDED) during the fiscal year ended June 30, 2010. These loans were passed thru to Generation Repair and Service, LLC. Generation Repair and Service, LLC is required to meet certain terms, including fulfillment of job obligations. If the terms of the funding agreements are met, then the IDED will forgive the loans to the City.

(16) Rebate Agreements

The City has entered into various rebate agreements to assist in urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met.

The total to be paid by the City under the agreements is \$233,648. \$9,344 was rebated during the 2014-2015 fiscal year.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City.

(17) Subsequent Events

Subsequent to June 30, 2015, the City refunded the general obligation annual appropriation economic development bonds in order to save approximately \$50,000 in interest payments. They are also issuing three new debts to finance the Pool Construction project, the Rich Olive Street Improvement Project and the South Storm Water project.

The date through which events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure is October 9, 2015, which is the date of this report.

Other Information

City of Story City
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Property tax	\$ 1,237,893	-
Tax increment financing collections	813,258	-
Other city tax	604,419	-
Licenses and permits	12,486	-
Use of money and property	56,773	22,812
Intergovernmental	723,955	-
Charges for service	157,629	1,013,275
Special assessments	8,048	-
Miscellaneous	746,497	21,446
Total receipts	<u>4,360,958</u>	<u>1,057,533</u>
Disbursements:		
Public safety	634,188	-
Public works	401,470	-
Health and social services	22,350	-
Culture and recreation	624,723	-
Community and economic development	105,505	-
General government	376,490	-
Debt service	973,122	-
Capital projects	1,475,771	-
Business type activities	-	1,109,127
Total disbursements	<u>4,613,619</u>	<u>1,109,127</u>
Excess (deficiency) of receipts over (under) disbursements	(252,661)	(51,594)
Other financing sources (uses), net	<u>218,515</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(34,146)	(51,594)
Balances beginning of year	<u>2,374,165</u>	<u>1,280,154</u>
Balances end of year	<u>\$ 2,340,019</u>	<u>1,228,560</u>

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to
	Original	Final	Total Variance
1,237,893	1,206,448	1,206,448	31,445
813,258	811,454	811,454	1,804
604,419	498,158	558,158	46,261
12,486	8,450	8,450	4,036
79,585	80,900	80,900	(1,315)
723,955	839,141	874,141	(150,186)
1,170,904	1,097,100	1,097,100	73,804
8,048	-	7,000	1,048
767,943	93,600	820,115	(52,172)
5,418,491	4,635,251	5,463,766	(45,275)
634,188	631,495	631,495	(2,693)
401,470	442,750	442,750	41,280
22,350	22,500	22,500	150
624,723	618,860	668,860	44,137
105,505	50,531	80,531	(24,974)
376,490	369,290	381,790	5,300
973,122	974,023	986,523	13,401
1,475,771	749,900	1,593,415	117,644
1,109,127	1,055,235	1,245,235	136,108
5,722,746	4,914,584	6,053,099	330,353
(304,255)	(279,333)	(589,333)	285,078
218,515	285,000	285,000	(66,485)
(85,740)	5,667	(304,333)	218,593
3,654,319	5,047,108	3,654,319	-
3,568,579	5,052,775	3,349,986	218,593

City of Story City

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted receipts by \$828,515 and budgeted disbursements by \$1,138,515. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety and community and economic development functions.

City of Story City

Schedule of the City's Proportionate Share of the Net Pension Liability

**Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)**

Other Information

	<u>2015</u>
City's proportion of the net pension liability	1.040180000%
City's proportion share of the net pension liability	\$ 412
City's covered-employee payroll	\$ 1,069
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.54%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

See accompanying independent auditors' report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years which information is available.

City of Story City
Schedule of City's Contributions
Iowa Public Employees' Retirement System
Last Two Fiscal Years
(In Thousands)
Other Information

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 99	\$ 99
Contributions in relation to the statutorily required contributions	<u>99</u>	<u>99</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
City's covered-employee payroll	\$ 1,069	\$ 1,079
Contributions as a percentage of covered-employee payroll	9.26%	9.18%

See accompanying independent auditors' report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years which information is available.

City of Story City

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL form plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of termination members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also

included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service base assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Story City

**Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2015

	Special Revenue			
	Economic Development Revolving Loan	Police Forfeitures	Insurance	Road Use Tax
Receipts:				
Other city tax	-	-	-	-
Use of money and property	9,828	59	-	-
Intergovernmental	-	-	-	358,903
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	1,022	-
Total receipts	9,828	59	1,022	358,903
Disbursements:				
Operating:				
Public works	-	-	-	353,451
Community and economic development	25,000	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	8,032	-
Total disbursements	25,000	-	8,032	353,451
Excess (deficiency) of receipts over (under) disbursements	(15,172)	59	(7,010)	5,452
Other financing sources (uses):				
Transfers in	-	-	11,000	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	11,000	-
Change in cash balances	(15,172)	59	3,990	5,452
Cash balances beginning of year	157,363	461	(951)	145,617
Cash balances end of year	\$ 142,191	520	3,039	151,069
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for debt service	-	-	-	-
Restricted for streets	-	-	-	-
Restricted for other purposes	-	-	-	151,069
Unassigned	142,191	520	3,039	-
Total cash basis fund balances	\$ 142,191	520	3,039	151,069

See accompanying independent auditors' report.

Schedule 1

Gilbert Library	Golf Course Trust	Hotel/Motel Tax	Debt Service		Permanent Cemetery Perpetual Care	Total
			Special Assessments	TIF Reserve		
-	-	118,100	-	-	-	118,100
66	140	56	462	143	130	10,884
-	-	-	-	-	-	358,903
-	-	-	-	-	-	-
-	-	-	8,048	-	-	8,048
40,050	69,305	-	-	-	350	110,727
40,116	69,445	118,156	8,510	143	480	606,662
<hr/>						
-	-	-	-	-	-	353,451
-	-	46,250	-	-	-	71,250
39,030	-	18,432	-	-	-	57,462
-	-	-	-	-	-	8,032
39,030	-	64,682	-	-	-	490,195
<hr/>						
1,086	69,445	53,474	8,510	143	480	116,467
<hr/>						
-	-	-	-	-	-	11,000
(2,000)	-	(47,000)	(10,000)	-	-	(59,000)
(2,000)	-	(47,000)	(10,000)	-	-	(48,000)
(914)	69,445	6,474	(1,490)	143	480	68,467
6,842	171	-	101,727	1	67,081	478,312
5,928	69,616	6,474	100,237	144	67,561	546,779
<hr/>						
-	-	-	-	-	67,561	67,561
-	-	-	100,237	144	-	100,381
-	-	-	-	-	-	-
5,928	-	-	-	-	-	156,997
-	69,616	6,474	-	-	-	221,840
5,928	69,616	6,474	100,237	144	67,561	546,779

City of Story City

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2015

	<u> </u>
	<u>Stormwater Drainage</u>
Operating receipts:	
Charges for service	46,048
Operating disbursements:	
Business type activities	<u>3,549</u>
Excess of operating receipts over operating disbursements	42,499
Non operating receipts and disbursements:	
Interest on investments	<u>137</u>
Excess of receipts over disbursements	<u>42,636</u>
Change in cash balances	42,636
Cash balances beginning of year	<u>12,466</u>
Cash balances end of year	<u><u>55,102</u></u>
Cash Basis Fund Balances	
Unrestricted	<u>55,102</u>
Total cash basis fund balances	<u><u>55,102</u></u>

See accompanying independent auditors' report.

City of Story City
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Annual appropriation development	Mar. 1, 2009	4.00-6.15%	\$ 1,115,000
Corporate purpose	Jan. 13, 2011	.90-4.25%	1,870,000
Fire truck loan	Jun. 1, 2012	2.45%	225,000
Water improvement refunding	Oct. 11, 2012	.35-2.70%	4,080,000
Equipment loan	Feb. 1, 2015	0.00%	35,000
Total			
Other:			
Water Revenue Bonds Series 2012A	Oct.11, 2012	.65-3.75%	\$ 2,925,000

See accompanying independent auditors' report.

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
735,000	-	105,000	630,000	42,450	-
1,370,000	-	110,000	1,260,000	47,103	-
184,307	-	21,166	163,141	4,384	-
3,100,000	-	570,000	2,530,000	35,920	-
-	35,000	35,000	-	-	-
\$ 5,389,307	\$ 35,000	\$ 841,166	\$ 4,583,141	\$ 129,857	\$ -
\$ 2,880,000	\$ -	\$ 100,000	\$ 2,780,000	\$ 74,535	\$ -
\$ 8,269,307	\$ 35,000	\$ 941,166	\$ 7,363,141	\$ 204,392	\$ -

City of Story City
Bond and Note Maturities
June 30, 2015

General Obligation Notes									
Year Ending June 30,	Annual Appropriation		Corporate Purpose		Fire Truck Loan		Water Improvement		
	Issued Mar 1, 2009		Issued Jan 13, 2011		Issued Jun 1, 2012		Refunding		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2016	5.50%	110,000	2.15%	110,000	2.45%	21,667	0.65%	575,000	816,667
2017	5.70%	120,000	2.90%	115,000	2.45%	22,203	0.85%	585,000	842,203
2018	5.90%	125,000	2.90%	115,000	2.45%	22,753	1.10%	595,000	857,753
2019	6.05%	135,000	3.50%	120,000	2.45%	23,317	1.65%	45,000	323,317
2020	6.15%	140,000	3.50%	125,000	2.45%	23,894	1.65%	50,000	338,894
2021			3.80%	125,000	2.45%	24,486	1.65%	50,000	199,486
2022			3.80%	130,000	2.45%	24,821	2.00%	50,000	204,821
2023			4.10%	135,000			2.00%	50,000	185,000
2024			4.10%	140,000			2.00%	55,000	195,000
2025			4.25%	145,000			2.35%	55,000	200,000
2026							2.35%	55,000	55,000
2027							2.35%	55,000	55,000
2028							2.35%	60,000	60,000
2029							2.70%	60,000	60,000
2030							2.70%	60,000	60,000
2031							2.70%	65,000	65,000
2032							2.70%	65,000	65,000
Total		\$ 630,000		\$ 1,260,000		\$ 163,141		\$ 2,530,000	4,583,141

See accompanying independent auditors' report.

Water Revenue Bonds		
Year Ending June 30,	Issued Oct. 11, 2012	
	Interest Rates	Amount
2016	1.00%	100,000
2017	1.00%	100,000
2018	1.50%	100,000
2019	1.50%	105,000
2020	1.85%	105,000
2021	1.85%	105,000
2022	2.10%	110,000
2023	2.10%	110,000
2024	2.40%	115,000
2025	2.40%	115,000
2026	2.60%	120,000
2027	2.60%	125,000
2028	2.80%	125,000
2029	2.80%	130,000
2030	3.00%	135,000
2031	3.00%	140,000
2032	3.25%	140,000
2033	3.25%	150,000
2034	3.25%	155,000
2035	3.75%	160,000
2036	3.75%	165,000
2037	3.75%	170,000
Total		<u>\$ 2,780,000</u>

City of Story City
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	1,237,893	1,153,253	1,049,365	1,055,244	\$ 993,365	\$ 964,559	\$ 910,698	\$ 870,452	\$ 815,902	\$ 737,182
Tax increment financing collections	813,258	679,432	735,317	773,895	751,639	759,687	749,438	899,346	998,845	683,605
Other city tax	604,419	514,579	510,237	520,034	494,595	487,913	514,764	485,347	473,843	422,805
Licenses and permits	12,486	15,727	12,749	8,557	8,991	9,095	12,627	8,660	14,935	12,649
Use of money and property	56,773	60,734	93,589	60,769	86,457	92,850	91,044	132,281	172,571	121,156
Intergovernmental	723,955	659,980	710,170	347,218	732,289	939,970	490,382	352,661	612,109	419,531
Charges for service	157,629	164,661	142,239	139,599	147,379	157,575	158,673	137,977	139,641	128,921
Special assessments	8,048	8,026	-	-	84,359	-	2,202	7,285	21,603	8,138
Miscellaneous	746,497	98,439	103,369	141,955	134,229	102,772	109,605	123,273	79,726	224,252
Total	\$ 4,360,958	\$ 3,354,831	\$ 3,357,035	\$ 3,047,271	\$ 3,433,303	\$ 3,514,421	\$ 3,039,433	\$ 3,017,282	\$ 3,329,175	\$ 2,758,239
Disbursements:										
Operating:										
Public safety	634,188	537,764	888,969	500,053	\$ 462,261	\$ 462,292	\$ 475,784	\$ 422,697	\$ 423,161	\$ 382,754
Public works	401,470	451,451	411,518	393,319	389,527	395,681	448,109	414,110	400,717	370,229
Health and social services	22,350	17,350	21,000	19,500	20,200	19,900	-	-	22,350	-
Culture and recreation	624,723	626,309	545,582	555,263	567,266	503,476	610,499	580,565	396,949	404,715
Community and economic development	105,505	87,032	93,359	610,277	542,351	380,541	165,509	162,197	242,974	99,198
General government	376,490	401,885	374,049	358,244	331,372	356,833	323,761	329,277	304,198	315,090
Debt service	973,122	1,353,128	3,991,911	506,013	2,052,479	493,810	802,846	789,916	3,182,355	620,143
Capital projects	1,475,771	2,371,213	2,161,900	722,463	1,819,362	1,466,632	1,947,569	495,292	3,617,145	1,421,835
Business type activities	-	-	-	-	-	-	38,543	-	-	-
Total	\$ 4,613,619	\$ 5,846,132	\$ 8,488,288	\$ 3,665,132	\$ 6,184,818	\$ 4,079,165	\$ 4,812,620	\$ 3,194,054	\$ 8,589,849	\$ 3,613,964

See accompanying independent auditors' report.

City of Story City

CLINE, DeVRIES & ALLEN, LLP

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Story City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Story City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Story City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Story City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-C-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Story City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Story City's Responses to Findings

The City of Story City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Story City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Story City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 17, 2015
Ames, Iowa

City of Story City
Schedule of Findings
Year ended June 30, 2015

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Story City
Schedule of Findings
Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-15 Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The same person is responsible for authorizing, recording and custody of assets.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-15 Utility Billings** - The City wrote off \$954 in past due utility accounts in June of 2015. Per the City's policy, these write offs must be approved by the City Council. No documentation for the approval was noted.

Also, when the City collects past due utility billings thru a lien filed with the County, they are recording the receipts as water revenue in the Water fund. A portion of these past due collections are also for sewer and storm water utility fees.

Recommendation - The City needs to implement procedures to ensure the correct amount of revenue is recorded in the proper fund. They should also ensure they have properly documented approval for all future write offs.

Response - We will do so in the future.

Conclusion - Response accepted.

- II-C-15 Personnel Policies** - The City is not following their established personnel policy regarding accrued paid time off and holiday pay. The policy states that employees may carryover a maximum of 80 hours of unused vacation time. The City has not been adjusting the hours down to the 80 hour maximum for employees who exceed this on their anniversary date.

Also, the personnel policy does not authorize payment upon leaving employment with the City for unused holiday hours that have been accumulated. However, one employee that left employment during the fiscal year was paid for 144 hours of holiday pay.

City of Story City

Schedule of Findings

Year ended June 30, 2015

Recommendation – The City needs to follow their established personnel policies and procedures.

Response - We are in the process of changing our policies so our current practices are consistent with the new policies.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Story City
Schedule of Findings
Year ended June 30, 2015

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-15 **Certified Budget** – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety and community and economic functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do so in the future.

Conclusion – Response accepted.

- III-B-15 **Questionable Disbursements** – We noted one disbursement that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The City paid \$136 for sack lunches for an employee meeting and the event was not open to the public.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

- III-C-15 **Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-15 **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jensen Excavating, owned by son of Mayor	Services	\$ 39,838

City of Story City

Schedule of Findings

Year ended June 30, 2015

\$8,800 of the payments above were for emergency related services and \$14,618 of the services were entered into thru the competitive bidding process. In accordance with Chapter 362.5(10) of the Code of Iowa, \$16,420 of the transactions appear to represent a conflict of interest since total transactions exceeded \$1,500 during the fiscal year and competitive price quotes were not obtained for those services and were not emergency related.

Recommendation – The City should consult with legal counsel to determine the disposition of this matter.

Response – We will do so.

Conclusion – Response accepted.

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-15 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-15 Deposits and Investments – No instances of non-compliance with the City's investment policy were noted.

III-H-15 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the amount reported as year-end outstanding tax increment financing obligations does not match the City's records.

Recommendation – The City should ensure the amounts on the Levy Authority Summary agree with the City's records.

Response – These items will be correct on future reports.

Conclusion – Response accepted.

III-I-15 Revenue Bonds – The City has not met the requirements of the bond resolution for the Water Revenue Bonds. Once the requirements for the sinking fund, reserve fund and improvement fund have been met, any excess money should be credited to the Surplus Fund. As of June 30, 2015, no surplus fund had been established and the improvement fund has over \$60,000 in excess of its minimum required balance.

Recommendation – The City should establish the required surplus fund and deposit all excess moneys here.

Response – We are accumulating money in the improvement fund to make improvements to the water tower which will be spent over a three year period and reduce the improvement fund to well below the current balance.

Conclusion – Response accepted.

City of Story City
Schedule of Findings
Year ended June 30, 2015
